

National Assembly for Wales
Enterprise and Learning Committee

Legacy report

March 2011



The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales and holds the Welsh Government to account.

An electronic copy of this report can be found on the National Assembly's website:
www.assemblywales.org

Copies of this report can also be obtained in accessible formats including Braille, large print, audio or hard copy from:

The Enterprise and Learning Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

Tel: 029 2089 8018
Fax: 029 2089 8021
email: Enterprise.learning.comm@wales.gov.uk

© National Assembly for Wales Commission Copyright 2011
The text of this document may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading or derogatory context. The material must be acknowledged as copyright of the National Assembly for Wales Commission and the title of the document specified.

National Assembly for Wales
Enterprise and Learning Committee

Legacy report

March 2011



Enterprise and Learning Committee

The Enterprise and Learning Committee was established by the Third National Assembly for Wales on 26 June 2007 to consider and report on issues within the areas of economic development, transport, education and skills.

The Committee's powers are set out in the National Assembly for Wales's Standing Orders, particularly Standing Order 12. These are available at: <http://www.assemblywales.org/bus-home/bus-guide-docs-pub/bus-assembly-guidance.htm>

Committee membership

Committee Member	Party	Constituency / Region
Gareth Jones (Chair)	Plaid Cymru	Aberconwy
Christine Chapman	Labour	Cynon Valley
Jeff Cuthbert	Labour	Caerphilly
Andrew Davies	Labour	Swansea West
Paul Davies	Welsh Conservative Party	Preseli Pembrokeshire
Nerys Evans	Plaid Cymru	Mid and West Wales
Brian Gibbons	Labour	Aberavon
Darren Millar	Welsh Conservative Party	Clwyd West
Jenny Randerson	Welsh Liberal Democrats	Cardiff Central

Contents

The Committee's Recommendations	5
Looking Back	10
Looking Forward	11
Forward Road Programme.....	11
Location of the Traffic Commissioner for Wales.....	12
Planning strategically	13
Forward Rail Programme.....	14
Electrification	14
North-South Wales rail link.....	15
Rolling stock	15
Powers and funding.....	16
Integrated ticketing	18
Committee Proposed Legislative Competence Order on Highways and Transport.....	19
Progress of the LCO to January 2011	19
Progress of the LCO after January 2011	20
Structural Funds: Implementation of the 2007-13 Programmes.....	21
Performance of the Programmes.....	22
Data collection and duplication of effort	23
Targeted Match Funding.....	24
Legacy	24
Economic Renewal Programme.....	25
Broadband.....	25
Monitoring and evaluation	26
Transition and communication	26
Alignment between skills and economic development	27
The Sector Skills Councils in Wales.....	29
Funding	29
Engagement with small businesses	30

Links with education and the third sector.....	31
Apprenticeships	31
Labour Market Intelligence	31
The Economic Contribution of Higher Education in Wales	33
Entrepreneurship.....	33
Intellectual Property and knowledge exchange	34
Research	35
Engagement with businesses	36
The Transformation Agenda for post-16 Education.....	37
Progress over the last 12 months.....	37
Vulnerable young people	38
Annex A - Facts and Figures	39

The Committee's Recommendations

Recommendation 1. The Welsh Assembly Government should be urged to make its capital programme clearer and more detailed in the Fourth Assembly to allow for greater transparency and more effective scrutiny, and to publish the full documents online. (Page 12)

Recommendation 2. In the Fourth Assembly, Welsh Ministers should be scrutinised on progress made in their discussions with the UK Government on establishing a Wales office of the Transport Commissioner for Wales & West Midlands. (Page 13)

Recommendation 3. In the Fourth Assembly the Welsh Assembly Government should be challenged with producing a detailed cost-effective evaluation of road projects - both in terms of generating prosperity and also for sustaining communities - as well as a long-term plan that clearly sets out road development priorities against a background of funding availability and strategic policy priorities. (Page 13)

Recommendation 4. The formulation and content of the National Infrastructure Plan needs to be scrutinised in the Fourth Assembly. (Page 13)

Recommendation 5. Welsh Ministers should be pressed to persevere with lobbying UK Ministers on the strong business case for electrifying the Great Western Main Line as far as Swansea, and should continue to be scrutinised on progress with developing the business case for electrifying the *whole* of the Cardiff area and Valleys Lines network. (Page 15)

Recommendation 6. In its 2010 report the Committee recommended that the Welsh Government should lobby the UK Government for the North Wales Main Line to be directly connected to the proposed High Speed 2 (HS2) Line from London to the North West and Scotland. This should continue to be monitored. (Page 15)

Recommendation 7. The Welsh Assembly Government should continue to be pressed to produce a long-term plan for upgrading the country's train rolling stock, in conjunction with other stakeholders, to ensure services are fit for purpose and are compatible with future technology needs, such as electrification. (Page 16)

Recommendation 8. Pressure should continue to be put on the Welsh Assembly Government to provide revenue funding for rail service enhancements where the necessary infrastructure has already been provided, including the introduction of six-car trains on the Valleys Lines as envisaged some years ago. (Page 16)

Recommendation 9. Welsh Ministers should be encouraged to seek further devolution of relevant powers *and associated funding* for rail infrastructure and services in Wales. (Page 17)

Recommendation 10. Welsh Ministers should be pressed to use the renewal of the Wales and Borders franchise as an opportunity to negotiate enhancements to railway services and provision of rolling stock that would allow for electrification and future growth, and also as an opportunity to consider running the franchise on a not-for-profit or not-for-dividend basis. (Page 17)

Recommendation 11. Future committees may wish to press the Welsh Government to consider using the UK Department for Transport to lever in European funding for railway infrastructure improvements serving existing or future qualifying areas in Wales. (Page 18)

Recommendation 12. The Welsh Assembly Government should be encouraged to work with train and bus operating companies to develop an integrated transport ticketing system for Wales. (Page 18)

Recommendation 13. In the Fourth Assembly, a future committee may wish to explore the tension between Government and non-Government proposed Assembly Bills, and to seek a more satisfactory outcome for progressing those two strands in the future. (Page 20)

Recommendation 14. The relevant committee in the Fourth Assembly is encouraged to introduce at an early stage an Assembly Bill that would place a duty on highway authorities to develop and maintain a network of traffic free routes across Wales for walkers and cyclists. (Page 20)

Recommendation 15. Progress with implementing the current Structural Funds Programmes should continue to be a subject for scrutiny in the Fourth Assembly. The relevant committee should request regular updates from the Welsh Government and should seek to investigate intra-regional differences and anomalies, as well as

scrutiny of Wales's performance compared with other UK regions and the EU as a whole. (Page 22)

Recommendation 16. There is still a risk of both double-counting and under-counting project outcomes or successes, which might affect an individual's progress, and which should continue to be monitored in the Fourth Assembly. The Welsh Assembly Government is aware of these issues but should ensure data collection systems avoid such problems, including promoting local agreements where different project interventions overlap. (Page 23)

Recommendation 17. In addition, the Welsh Government should be encouraged to develop a fuller data set to monitor progress, beyond simply Gross Value Added (GVA). (Page 24)

Recommendation 18. The impact of public sector funding cuts on the availability of match funding for Structural Funds projects should be closely monitored and, if necessary, contingency plans put in place. (Page 24)

Recommendation 19. WEFO should be challenged to work in partnership with all the projects in the 2007-13 Programmes on the design of sustainable solutions for the communities and individuals affected when those projects come to an end. (Page 24)

Recommendation 20. The Welsh Government should continue to be scrutinised on its joint working with the UK Government in clarifying timescales and securing adequate funding for delivering next generation broadband across the whole of Wales by 2015. (Page 26)

Recommendation 21. The Welsh Government should continue to be held to account: first in ensuring cost-benefit analyses are carried out before pursuing any change in economic development strategies, and secondly on rigorously measuring and evaluating the success of the Economic Renewal Programme. (Page 26)

Recommendation 22. It is essential that the skills agenda in Wales should be aligned and integrated with the objectives of the Economic Renewal Programme, as opposed to being bolted on to an already complex system. The Ministers responsible for Education, Skills and Economic Development in the Fourth Assembly should bring their policies more closely together and be jointly scrutinised on the detail

for how alignment and integration of skills growth and economic growth is being achieved. (Page 27)

Recommendation 23. There is still the need for both up-skilling and business growth outwith the Government's six priority growth sectors. A future committee of the Fourth Assembly should continue to scrutinise Welsh Government support and skills development for all businesses, not just those within the priority sectors. (Page 28)

Recommendation 24. The Welsh Government should be encouraged to press the head offices of the Sector Skills Councils to understand devolution and properly resource their offices in Wales. (Page 30)

Recommendation 25. There is a need for highly strategic action from Sector Skills Councils themselves to engage with small and medium-sized enterprises, including social enterprises. Their performance in this area should continue to be monitored, and some of the indicators could be whether they have an active employer advisory board, and whether they are engaging through anchor companies and their supply chains. (Page 30)

Recommendation 26. The Welsh Assembly Government should be encouraged to work with the UK Government on streamlining the Sector Skills Councils and also on ensuring that the Alliance of Sector Skills Councils is adequately resourced to bring together the Councils in fulfilling their role within the learning cycle. (Page 30)

Recommendation 27. Sector Skills Councils should continue to be encouraged and scrutinised on their relationship with the education sector and schools in working together on curricula and qualifications that meet the skills needs of the future. (Page 31)

Recommendation 28. The Pathways to Apprenticeships scheme should be monitored to ensure young people who want to serve apprenticeships are provided with the opportunity, and that additional schemes are put in place wherever possible to prevent existing apprenticeships being curtailed. (Page 31)

Recommendation 29. The Committee acknowledges the difficulty and complexity of skills planning. However, Labour Market Intelligence needs to be improved so that it is detailed, accurate, analytical and forward-looking in driving skills provision, particularly at the local

level. The work of the new Labour Market Intelligence unit needs to be monitored in the Fourth Assembly. (Page 31)

Recommendation 30. There needs to be a more coherent national approach to bringing ideas from academia into the market place, and to raising the status and influence of enterprise champions within the higher education system. Despite the current climate where funding and restructuring challenges are consuming the higher education sector, commercialisation and knowledge exchange should continue to be priorities for higher education policy. A future committee should continue to keep this situation under review. (Page 35)

Recommendation 31. A future committee should also scrutinise the new science policy for Wales, which is being led by the Chief Scientific Adviser, to ensure it contributes to the commercialisation of Welsh ideas within the science, technology, engineering and mathematics (STEM) subjects. (Page 35)

Recommendation 32. Welsh Universities should continue to be held to account in their ability to attract research funding by working more strategically and collaboratively. In particular, universities could tune in more to the priorities of the research councils. (Page 35)

Recommendation 33. Higher education institutions need to engage in the future with the Welsh Government's identified "anchor" companies to collaborate more on the application of research and development. This collaborative approach should continue to be monitored in the Fourth Assembly. (Page 36)

Recommendation 34. Further progress on the Transformation Agenda should continue to be a subject of scrutiny in the Fourth Assembly because of the real challenges facing some Learning Partnership areas. Future scrutiny should include the findings of the Task and Finish group on the structural delivery of education and the impact of the reduction in capital funding. (Page 38)

Recommendation 35. Future committees should encourage the Welsh Government to work closely with the UK's Department for Work and Pensions and should monitor the impact of the UK Government's new Work Programme, particularly in how it affects the pastoral care that is provided for young unemployed people in Wales. (Page 38)

Looking Back

1. Between June 2007 and January 2011 the Enterprise and Learning Committee of the National Assembly for Wales published 37 reports on subjects within its remit – economic development, transport, education, lifelong learning and skills. In its role of scrutinising the policies and expenditure of the Welsh Government, the Committee met 103 times in public, questioned witnesses 557 times and cross-examined Welsh Ministers on 51 occasions. The Committee made 349 recommendations to Ministers and was responsible for progressing the first and last Committee proposed Legislative Competence Order through the National Assembly and UK Parliament.
2. Gareth Jones, Assembly Member for Conwy, chaired the Committee throughout its lifetime, and another 16 Assembly Members served on the Committee during the four years; further facts and figures about the Committee are included in Annex A of this report. All the Committee's business, including agendas, papers, transcripts and reports are available on the National Assembly's website:
<http://www.assemblywales.org/bus-home/bus-committees/bus-committees-scrutiny-committees/bus-committees-third-els-home.htm>
3. During the final term of the Third Assembly, there was insufficient time for the Committee to embark on new inquiries that required Ministerial responses and debates in Plenary before the National Assembly's dissolution at midnight on 31 March. The Committee therefore focused its energy from January to March on following up previous reports of inquiries and on monitoring progress made in implementing its recommendations to Government. There emerged from those sessions a number of issues which the Committee believed warranted further inquiry, scrutiny or monitoring in the Fourth Assembly.
4. This Legacy Report makes a number of suggestions that the Committee wished to pass on to its successor. The report is dedicated to the some 350 organisations and individuals with whom the Committee was in regular contact, both as a thank you for the contribution they made to the Committee's work, and also as a testament to the importance for democratic maturity of holding Ministers to account on behalf of the people of Wales.

Looking Forward

Forward Road Programme

5. In November 2010, the Committee scrutinised Ministers on the Welsh Government's Draft Budget 2011-12. In light of the 10 per cent reduction in the draft transport budget in 2011-12 and the 20 per cent reduction over the following three years (with larger reductions of 40 per cent in the capital budget), the Committee held an evidence session in January 2011 on the Welsh Government's forward road programme.

6. It was also significant that around that time the Wales Audit Office published a report on Major Transport Projects that was highly critical of the Welsh Government's performance in delivering many major transport projects as well as wider transport objectives. The report showed that the cost of 18 major transport projects covering road and rail, completed between late 2004 and early 2010, increased by 61 per cent from £366 million to £592 million and many took substantially longer to complete than expected.

7. Although the Deputy First Minister and Minister for Economy and Transport had told the Committee during its scrutiny of the Assembly's Draft Budget in November 2010 that revised versions of both the road and rail programmes would be published the following month to take account of the reductions in capital budgets, the announcement had still not been made by the time the Committee took evidence in January 2011.

8. The Committee nevertheless felt it worthwhile to question stakeholders - the Traffic Commissioner for Wales & West Midlands, CBI Wales and the Institute of Welsh Affairs - about their views on the Government's roads policy in order to inform its scrutiny of the Deputy First Minister on 17 March, and also further scrutiny in the Fourth Assembly through recommendations made in this Legacy Report.

9. As it was, the First Minister, Deputy First Minister and Minister for Business and Budgets issued a joint statement on 15 March 2011 that provided further details of the Welsh Government's capital spending plans for 2011-12 only. The statement did not explain the impact of decisions on the full list of road and rail schemes in the Government's National Transport Plan, which covers the five-year period 2010-2015

(and which consists of the schemes listed in the 2008 Trunk Road and Rail Forward Programmes). The Deputy First Minister told the Committee on 17 March that capital spend priorities beyond 2011-12 would be the decision of the new Welsh Government in the Fourth Assembly.

10. The Committee understood the challenges facing the Welsh Government over “deferring” or “re-profiling” some of its capital programme in the wake of the UK Government’s Comprehensive Spending Review. Yet the Committee found the Government’s statement on its capital spending plans wanting in both detail and clarity, regardless of the lack of time the Committee had to study the figures.

The Welsh Assembly Government should be urged to make its capital programme clearer and more detailed in the Fourth Assembly to allow for greater transparency and more effective scrutiny, and to publish the full documents online.

Location of the Traffic Commissioner for Wales

11. The Committee heard from the Traffic Commissioner that the Welsh Traffic Area continued to be treated as an “administrative adjunct” of the West Midlands Traffic Area,¹ which “puts the Welsh traffic area at some considerable disadvantage with regard to regulation.”²

12. In the Commissioner’s view there was a case for having a small compliance team (of say four to five staff) based in Wales, that could include among its functions the registration of bus services for Wales to improve the quality of the service currently provided from the Leeds registration office. However, the Commissioner did question the need for bus services to be registered with Traffic Commissioners at all, as opposed to being registered with local authorities.³ The Committee felt that any system should be simple, consistent and transparent to both service providers and users, involving the minimum of bureaucracy.

¹ Traffic Commissioners’ Annual Reports 2009-10 page 46

² Record of Proceedings paragraph 7, 13 January 2011, Enterprise and Learning Committee

³ Record of Proceedings paragraphs 51-59, 13 January 2011, Enterprise and Learning Committee

13. During the Committee's 2009 inquiry on Casualty Reduction and Trunk Road Management the Deputy First Minister stated that he was discussing with the UK Government whether the Traffic Commissioner should be located in Wales.

In the Fourth Assembly, Welsh Ministers should be scrutinised on progress made in their discussions with the UK Government on establishing a Wales office of the Transport Commissioner for Wales & West Midlands.

Planning strategically

14. One of the main arguments put forward by the Institute of Welsh Affairs was the need for the Welsh Government to adopt "an imaginative and bold visionary approach" for transport by planning over a longer term - up to five, ten or 15 years ahead - as opposed to the current system of planning for only two to three years at a time.⁴

15. The Committee agreed that because of the long lead-in times for significant transport projects the Welsh Government needed to take a more strategic approach to its forward road programme. The Committee also recognised that the road programme needed to build both the economy and connect the nation as a whole.

In the Fourth Assembly the Welsh Assembly Government should be challenged with producing a detailed cost-effective evaluation of road projects - both in terms of generating prosperity and also for sustaining communities - as well as a long-term plan that clearly sets out road development priorities against a background of funding availability and strategic policy priorities.

16. On infrastructure developments more widely, the Committee was told by the Deputy First Minister that the Welsh Government's planned National Infrastructure Plan (including schools, hospitals, roads, buildings) would be taken up by the new Government in the Fourth Assembly.

The formulation and content of the National Infrastructure Plan needs to be scrutinised in the Fourth Assembly.

⁴ Record of Proceedings paragraphs 111 and 120, 13 January 2011, Enterprise and Learning Committee

Forward Rail Programme

17. The Committee's report on the Future Railway Infrastructure in Wales, published in January 2010, sought to influence the priorities and mechanisms for railway planning in Wales over the next 20 to 30 years. The Welsh Government's response to the report was unprecedented in that it accepted in full only five of the 21 recommendations and rejected nine – the remainder were accepted in principle. The Committee was therefore keen to hear views on the progress made in the year since the publication of its report. On 20 January, the Committee questioned Professor Stuart Cole of the Wales Transport Strategy Group, Network Rail and Arriva Trains Wales, and on 17 March scrutinised the Deputy First Minister on his response to the Committee's recommendations.

18. The Deputy First Minister's written paper for the scrutiny session on 17 March stated that as the Cabinet had not yet made a decision on capital projects, he was unable to provide the information on rail schemes that he had promised to publish back in December.⁵ As referred to in paragraph 8 above, the Welsh Government's statement on its Capital Spending Plans 2011-12 was made on the afternoon of 15 March, less than two days before the Committee's scrutiny session.

Electrification

19. In its 2010 report, the Committee recommended that the Great Western Main Line from Paddington to Swansea, and the Cardiff area network, including the Valleys Lines, should be among the priorities for electrification.

20. In January 2011, Stuart Cole, Professor of Transport at the University of Glamorgan, told the Committee that electrification of the Great Western Main Line was "currently the most important rail infrastructure investment project facing south Wales."⁶ His written evidence also stated that:

"The UK Government has claimed without any rationale that the Barnett Formula does not apply to railways. Even if you believe that formula is flawed it still gives Wales 5% of English rail spend rather than the 2% we currently receive based on passenger numbers. That would mean the Assembly

⁵ Welsh Government written evidence for 17 March 2011, paragraph 5

⁶ Professor Stuart Cole written evidence, 20 January 2011, page 2

Government would have to find £200m for electrification from Bristol to Swansea but the increase in block grant would give Wales that and more.”⁷

21. At the time of Professor Cole’s comments, the UK Government’s decision whether to electrify the line from London to Swansea was still awaited. The Secretary of State for Transport later announced on 1 March that the Great Western Main Line would be electrified from Paddington to Cardiff, and that the Department for Transport would be working with the Welsh Government to develop a business case for electrification of some of the Cardiff Valleys Lines.

Welsh Ministers should be pressed to persevere with lobbying UK Ministers on the strong business case for electrifying the Great Western Main Line as far as Swansea, and should continue to be scrutinised on progress with developing the business case for electrifying the *whole* of the Cardiff area and Valleys Lines network.

North-South Wales rail link

22. On 9 March 2011 the Deputy First Minister announced funding for a second North-South fast rail service stopping at Wrexham. He also announced that he had commissioned a study by Network Rail of options to improve the infrastructure between Holyhead and Cardiff, to be completed by the end of April 2011. Part of this study was to enable the original Y Gerallt Cymro service to travel via Chester and Wrexham as opposed to via Crewe.

In its 2010 report the Committee recommended that the Welsh Government should lobby the UK Government for the North Wales Main Line to be directly connected to the proposed High Speed 2 (HS2) Line from London to the North West and Scotland. This should continue to be monitored.

Rolling stock

23. The current Wales and Borders (Arriva Trains Wales) franchise is due to expire in December 2018. In the opinion of Arriva Trains Wales it was therefore time to consider replacing the “ageing” train rolling

⁷ Professor Stuart Cole written evidence, 20 January 2011, page 7

stock to ensure a “modern and fit-for-purpose fleet in the years to come.”⁸ Yet the Welsh Government’s response to the Committee’s report on the Future Railway Infrastructure in Wales rejected the recommendation to publish a rolling stock plan for Wales. In view of the ever increasing growth in passenger demand for rail services, the Committee believed this view lacked vision and common sense.

The Welsh Assembly Government should continue to be pressed to produce a long-term plan for upgrading the country’s train rolling stock, in conjunction with other stakeholders, to ensure services are fit for purpose and are compatible with future technology needs, such as electrification.

24. The Committee also heard from Arriva Trains Wales that the decision regarding when to introduce the long-awaited six-car trains on the Valleys Lines rested solely with the Welsh Government.⁹

Pressure should continue to be put on the Welsh Assembly Government to provide revenue funding for rail service enhancements where the necessary infrastructure has already been provided, including the introduction of six-car trains on the Valleys Lines as envisaged some years ago.

Powers and funding

25. The Committee recommended in its 2010 report that a formal concordat with Network Rail should be drawn up to help achieve greater transparency in rail planning and closer communication and cooperation to ensure aspirations for the future rail infrastructure in Wales are coordinated and delivered. The Deputy First Minister rejected the recommendation.

26. The Committee was told by Professor Cole that there was now “an opportunity” for having a Wales and Borders Network Rail funded and directed by the Welsh Government in the same way as the Wales and Borders franchise. However, he qualified this by saying that there would also need to be some kind of integrating body to ensure parity of status between the various linking routes that criss-cross the

⁸ Record of Proceedings paragraph 108, 20 January 2011, Enterprise and Learning Committee

⁹ Record of Proceedings paragraph 162, 20 January 2011, Enterprise and Learning Committee

border. Scotland already has that kind of power and relationship with Network Rail, because its rail network is discrete.¹⁰

27. On 15 March 2011, two days before the Committee's scrutiny session with the Deputy First Minister, Network Rail announced its intention to create a devolved business unit to serve customers and passengers in Wales and the Marches. Based in Cardiff the new unit would be aimed at increasing local responsiveness and creating "a new Wales route for the first time in railway history." The Minister warmly welcomed the announcement of the devolved unit, as did the Committee, but both expressed a wish for devolution as well of the associated budget and responsibility for specifying what the unit should deliver. The Committee was concerned that any future devolution of budget should take into account the historical under-investment in the railway infrastructure in Wales.

28. The UK Transport Secretary, Philip Hammond MP, is chairing a high-level rail panel that will discuss how best to overhaul the rail industry, and final proposals for reforming Britain's railways will be published by November 2011.

Welsh Ministers should be encouraged to seek further devolution of relevant powers *and associated funding* for rail infrastructure and services in Wales.

29. As regards securing improvements to train services and frequencies from the Wales and Borders (Arriva Trains Wales) franchise, the Deputy Minister told us these would have to be funded from the Welsh Government's budget, but that more progress could be made around the time of the renewal of the franchise.

Welsh Ministers should be pressed to use the renewal of the Wales and Borders franchise as an opportunity to negotiate enhancements to railway services and provision of rolling stock that would allow for electrification and future growth, and also as an opportunity to consider running the franchise on a not-for-profit or not-for-dividend basis.

¹⁰ Record of Proceedings paragraph 51, 20 January 2011, Enterprise and Learning Committee

30. The Committee raised with the Deputy First Minister the idea of funding railway infrastructure improvements (such as electrification of the track west of Cardiff) from European funding, using the Department for Transport as the core funder – in the same way as the Department for Work and Pensions, for example, has core funded many projects in Wales. The Welsh Government appeared not to have considered the potential of this approach in any great detail.

Future committees may wish to press the Welsh Government to consider using the UK Department for Transport to lever in European funding for railway infrastructure improvements serving existing or future qualifying areas in Wales.

Integrated ticketing

31. The Committee heard from Arriva Trains Wales that an integrated electronic ticketing system for Wales - such as an Oyster card - to enable passengers to make journeys on both buses and trains, was “still a fair bit away”.¹¹

The Welsh Assembly Government should be encouraged to work with train and bus operating companies to develop an integrated transport ticketing system for Wales.

¹¹ Record of Proceedings paragraphs 141-144, 20 January 2011, Enterprise and Learning Committee

Committee Proposed Legislative Competence Order on Highways and Transport

32. It was on 17 October 2007 that Sustrans, the sustainable transport charity, supported by a coalition of organisations, submitted a petition to the National Assembly's Petitions Committee calling on the Assembly to seek powers for Welsh Ministers to place a duty on highway authorities to develop and maintain a network of traffic free routes across Wales for walkers and cyclists.

33. The petition was referred to the Enterprise and Learning Committee, who later endorsed the first ever Committee proposed Legislative Competence Order (LCO). The LCO aimed to extend the legislative competence of the National Assembly for Wales in relation to the provision by highway authorities in Wales of routes for use solely or principally by any one or more of the following: pedestrians, cyclists, persons on horseback or leading a horse. At the time of the Committee's private scrutiny session with Welsh Government officials on 27 January 2011, the Committee proposed LCO was in the hands of the Wales Office, waiting for the Secretary of State for Wales to seek approval from the UK Cabinet before laying the LCO in Parliament.

34. The LCO was eventually laid in Parliament on 3 February 2011, awaiting pre-legislative scrutiny by the Welsh Affairs Committee and the Lords Constitution Committee.

Progress of the LCO to January 2011

35. It was the conclusion of the Committee that the slow progress made with the LCO was the result of a political decision by Welsh Ministers to prioritise the Welsh Government's own legislative programme, as opposed to being the casualty of any resource or capacity issues within its Department for Economy and Transport. The Committee also felt that pre-legislative scrutiny of the LCO in Parliament was held up by the priority given to the Welsh Government proposed (Legislative Competence) (Health and Health Services) Order 2011, even though that LCO superseded the Committee's proposed LCO.

36. The Committee found this frustrating as its LCO had reflected the wishes and expectations of petitioners and a wide range of stakeholders outside the National Assembly and had received cross-party support. Furthermore, it had been the democratic wish of the

National Assembly that the LCO should be taken forward. One Member referred to the experience as a “sad catalogue of delay and frustration,” and a “bad advert” for the organisation.

37. The Committee also concluded that delay had been caused because Whitehall Departments such as Defra had lacked a proper understanding of devolution and the LCO process, and because of staff changes within several different Departments, which had resulted in a lack of continuity and momentum. In addition, the Committee questioned the situation where negotiations on Assembly proposed legislation could only take place between Welsh Government and UK Government officials, to the exclusion of National Assembly staff.

In the Fourth Assembly, a future committee may wish to explore the tension between Government and non-Government proposed Assembly Bills, and to seek a more satisfactory outcome for progressing those two strands in the future.

Progress of the LCO after January 2011

38. The outcome of the Referendum on 3 March was key to the remaining stages of the Committee proposed LCO. A majority “no” vote would have meant that the LCO still needed to complete its legislative progress through the National Assembly for Wales before dissolution of the Assembly on 31 March 2011: otherwise the LCO would fall. A majority “yes” vote would have negated the need for the LCO as the request for legislative competence from Parliament would no longer be required.

39. As of 27 January 2011, both the Welsh Government and the Wales Office were still hopeful that the proposed LCO would go through within the life of the Third Assembly. As it was, the successful “Yes” vote of the Referendum meant that competence was automatically acquired by the National Assembly to legislate in this field.

The relevant committee in the Fourth Assembly is encouraged to introduce at an early stage an Assembly Bill that would place a duty on highway authorities to develop and maintain a network of traffic free routes across Wales for walkers and cyclists.

Structural Funds: Implementation of the 2007-13 Programmes

40. The Committee published its report into the implementation of the 2007-13 Structural Funds in July 2010. The inquiry's terms of reference included the progress of the funds to date; the Welsh Government's use of the funds in responding to the recession; the spread of funding across projects led by the public, private and not-for-profit sectors; and the sustainability of projects after 2013.

41. Of the Committee's 19 recommendations to the Welsh Government, 13 were accepted, five were accepted in principle and one was rejected. On 10 February 2011, the Committee held a follow-up session with some of the witnesses from the original inquiry - Professor Dylan Jones-Evans from Cardiff University, the Bridges into Work project and the Building the Future Together project - to discuss progress made by the Welsh Government in implementing recommendations from the report. The Deputy First Minister was not available for scrutiny, but did offer to reply to any outstanding issues from the Committee by letter.

42. Recommendation 1 of the Committee's report requested the Welsh Government to provide the Committee with an assessment of the 2008 European Union (EU) Gross Domestic Product (GDP) figures when they were published. Eurostat published the 2008 regional GDP per head estimates for the regions and sub-regions of the EU on 24 February 2011. The Deputy First Minister wrote to the Committee on 17 March stating that GDP per head in West Wales and the Valleys had fallen to 71 per cent of the EU27 average in 2008, down from the 2007 figure of 73 per cent.¹² The letter stated that the decline was "mostly explained" by the decline in the UK's performance relative to the EU27.

43. The Committee's own analysis of Eurostat's figures was that this level of decline was not replicated across the UK. Cornwall and the Isles of Scilly, for example, had actually maintained its GDP per head compared with 2007. The Committee's assessment was that because the 2008 figures were likely to be the second of a three-year GDP reference set used to determine the future qualifying regions for Convergence status (or whatever its successor Programme is called), West Wales and the Valleys will probably qualify in the next programming period.

¹² Letter from Ieuan Wyn Jones to Gareth Jones, dated 17 March 2011

Performance of the Programmes

44. Professor Dylan Jones-Evans raised with the Committee the importance of considering the relative performance of areas in receipt of European Structural Funding - not just *between* West Wales and the Valleys and East Wales (where it appeared to him that the performance of the Competitiveness Programme was significantly better than the Convergence Programme), but also *within* the two regions, where growth in some areas such as Cardiff was markedly higher than in others, such as Wrexham and Flintshire. He advocated that the “one-size-fits all” approach adopted by the Welsh Government did not work, and that “each area needs its own strategy.” He believed that the European Commission would be very supportive if the Welsh Government were to decide to take the lead on cooperating with other regions in receipt of Structural Funds - Convergence funding in particular - to learn from their experiences and add value across those regions.¹³

45. The Committee heard from Professor Jones-Evans that small businesses were not participating in the current Programmes because the application process was “exceptionally convoluted from submitting the bid to final decision,” which meant that ear-marked capital for projects could not be kept aside but had instead to be used for other purposes.¹⁴

46. The second major theme of Professor Jones-Evans’s evidence was the need for the Welsh European Funding Office (WEFO) to report more regularly on the performance of the Structural Funds Programmes, not only to the Programme Monitoring Committee, but also to the relevant scrutiny committee in the Fourth Assembly.¹⁵

Progress with implementing the current Structural Funds Programmes should continue to be a subject for scrutiny in the Fourth Assembly. The relevant committee should request regular updates from the Welsh Government and should seek to investigate intra-regional differences and anomalies, as well as

¹³ Record of Proceedings paragraphs 7-13 and 76, 10 February 2011, Enterprise and Learning Committee

¹⁴ Record of Proceedings paragraphs 43-44, 10 February 2011, Enterprise and Learning Committee

¹⁵ Record of Proceedings paragraph 11, 10 February 2011, Enterprise and Learning Committee

scrutiny of Wales's performance compared with other UK regions and the EU as a whole.

47. The Committee's scrutiny did not cover other reasons for economic under-performance in Wales, so this is something that a future Committee of the Assembly may wish to look at.

Data collection and duplication of effort

48. The Committee heard from the Building the Future Together project in Rhondda Cynon Taf that there was still concern about different projects double-counting the same activities or participants when monitoring their outcomes. The project manager suggested that WEFO should have prescribed an appropriate, universal participant information system for all projects to use locally to avoid the risk of double-counting and to ensure a consistent approach.¹⁶

49. When the Committee asked the Bridges into Work project about the Government's response to the Committee's recommendation (17) on double-counting the project manager said he "was not satisfied that [the response] was taking things far enough."¹⁷ The Committee had first-hand experience of duplicate claims of successful outcomes when it looked at the various programmes targeted at young people not in education, employment or training in Swansea.

50. On the other hand, the Committee was also aware of the risk of *undercounting* Gross Value Added (GVA) as a measure of the success of the Structural Funds Programmes because of "leakage" in terms of where GVA is being created (for example, people finding and then commuting to jobs outside the area in which they live).

There is still a risk of both double-counting and under-counting project outcomes or successes, which might affect an individual's progress, and which should continue to be monitored in the Fourth Assembly. The Welsh Assembly Government is aware of these issues but should ensure data collection systems avoid such problems, including promoting local agreements where different project interventions overlap.

¹⁶ Record of Proceedings paragraphs 84-85, 10 February 2011, Enterprise and Learning Committee

¹⁷ Record of Proceedings paragraph 95, 10 February 2011, Enterprise and Learning Committee

In addition, the Welsh Government should be encouraged to develop a fuller data set to monitor progress, beyond simply Gross Value Added (GVA).

Targeted Match Funding

51. The Committee was concerned to hear from the Building the Future Together project that the budget for Targeted Match Funding (TMF) was now “fully committed” until 2013.¹⁸ The Committee did not have sufficient time to confirm this statement with the Welsh Government, but the WEFO website stated (on 24 March 2011) that no new TMF applications for capital support were being accepted, although applications could still be submitted for TMF revenue support.

The impact of public sector funding cuts on the availability of match funding for Structural Funds projects should be closely monitored and, if necessary, contingency plans put in place.

Legacy

52. An important point was made by the Building the Future Together project that because the current Programmes consist of larger, more strategic projects, they will have a greater impact and will leave a “far greater gap” at the end of the project than would have been the case with the smaller, more self-contained projects of the previous round of funding. Exit strategies were therefore harder to design than in the past.¹⁹

WEFO should be challenged to work in partnership with all the projects in the 2007-13 Programmes on the design of sustainable solutions for the communities and individuals affected when those projects come to an end.

¹⁸ Record of Proceedings paragraphs 110-114, 10 February 2011, Enterprise and Learning Committee

¹⁹ Record of Proceedings paragraphs 130-134, 10 February 2011, Enterprise and Learning Committee

Economic Renewal Programme

53. During the autumn term 2010 the Committee scrutinised the Welsh Government's approach to implementing, monitoring and evaluating the Economic Renewal Programme, which had been announced the previous July. The Committee's report contained 14 recommendations of which the Welsh Government accepted five outright, five in principle, and rejected the remaining four.

54. Not content with the Government's response, the Committee wrote again to the Deputy First Minister and Deputy Minister for Science, Innovation and Skills to seek clarification as to why the four recommendations had been rejected, and to ask that the Ministers respond in writing and appear at a further scrutiny session on 17 February.

55. The Committee was more reassured after the further scrutiny session that some progress was being made in putting into place the new economic strategy. However, certain elements still gave the Committee cause for concern.

Broadband

56. The Committee heard from the Deputy First Minister that the Welsh Government should be in a position to award a contract to deliver next generation broadband to areas of Wales where there is a demonstrable market failure in about 12 months' time. The Deputy First Minister stated that this was "a very ambitious programme" and "one of the biggest contracts that my department will have issued in a very long time." He predicted that funding would come from the Welsh Government and from European funding, matched by the private sector, together with £10 million from the UK Government, although this was significantly less than the £25 million that would have been Wales's Barnett share.²⁰

57. The Committee expressed concern that the Welsh Government had carried out no explicit cost-benefit analysis of diverting resources from direct business support into investing in next generation broadband, although it heard that a business case had been prepared for the broadband strategy prior to procurement.

²⁰ Record of Proceedings paragraphs 10-11, 17 February 2011, Enterprise and Learning Committee

58. The Committee was also disappointed with the Deputy First Minister's response on how the Welsh Government's strategy for delivering next generation broadband across Wales by 2015 dovetailed with the UK Government's delivery timetable of 2016, and whether Wales was receiving its fair share of the UK funding available. The Committee noted that the House of Commons Welsh Affairs Committee was embarking on an inquiry into Broadband in Wales in its summer term.

The Welsh Government should continue to be scrutinised on its joint working with the UK Government in clarifying timescales and securing adequate funding for delivering next generation broadband across the whole of Wales by 2015.

Monitoring and evaluation

59. Wider than the success of the broadband strategy, the Committee expressed concern that the framework for monitoring and evaluating the performance of the Economic Renewal Programme as a whole had still not been published, even though it had been promised for autumn 2010.

The Welsh Government should continue to be held to account: first in ensuring cost-benefit analyses are carried out before pursuing any change in economic development strategies, and secondly on rigorously measuring and evaluating the success of the Economic Renewal Programme.

Transition and communication

60. It was significant that the Ministers' joint paper for the scrutiny session on 17 February admitted that more could have been done to communicate to businesses in Wales the changes resulting from the Economic Renewal Programme.

61. The Committee believed that more could also have been done to communicate those changes to staff within the Welsh Government and to lessen the impact on momentum and staff morale. It was felt that the lack of continuity within the Department during the transition had adversely affected the service provided to the business community.

Alignment between skills and economic development

62. The Economic Renewal Programme document stated that an updated “Skills that Work for Wales” action plan would be published in autumn 2010. The Deputy Minister told us that because skills were such a central part of the economic renewal programme a decision had been made not to update the action plan but instead to make a joint statement (expected in March 2011) between her and Leighton Andrews AM, Minister for Children, Education and Lifelong Learning.²¹ A statement on Skills for Economic Renewal was made on 10 March 2011. The Minister later clarified for the Committee that it was the responsibility of the Deputy Minister to assess the demand for skills, while it was his responsibility to put in place the support to respond to that demand.

63. The Deputy Minister’s written paper for the Committee’s scrutiny session on the Sector Skills Councils on 17 March was a word-for-word copy of the joint statement issued on 10 March.

It is essential that the skills agenda in Wales should be aligned and integrated with the objectives of the Economic Renewal Programme, as opposed to being bolted on to an already complex system. The Ministers responsible for Education, Skills and Economic Development in the Fourth Assembly should bring their policies more closely together and be jointly scrutinised on the detail for how alignment and integration of skills growth and economic growth is being achieved.

64. The Committee was also struck by the current mismatch between the six priority growth sectors of the Economic Renewal Programme and the existing industrial landscape in Wales. In the evidence session with the Sector Skills Councils and Wales Employment and Skills Board on 10 March there was general concern that sectors such as tourism and retail were not considered a priority; neither was social care. Yet tourism is a staple industry in some areas of Wales and quality childcare provision is essential for economic growth for the whole of Wales as it enables greater numbers of people to go to work.

²¹ Record of Proceedings paragraphs 30-31, 17 February 2011, Enterprise and Learning Committee

65. The Committee heard from the Deputy Minister that the Welsh Government was due to publish a list of “anchor companies” and “regionally important companies” to help ensure that the skills that the sectors and the companies needed were in place.²² A list of anchor companies was published on 2 March 2011. How the Government defined those companies, and how definitions could vary between different localities, was not clear however.

There is still the need for both up-skilling and business growth outwith the Government’s six priority growth sectors. A future committee of the Fourth Assembly should continue to scrutinise Welsh Government support and skills development for all businesses, not just those within the priority sectors.

²² Record of Proceedings paragraph 34, 17 February 2011, Enterprise and Learning Committee

The Sector Skills Councils in Wales

66. Sector Skills Councils are independent, employer-led, UK-wide organisations designed to develop a system of skills provision that is driven by employer demand. They are licensed by the Secretary of State for Innovation Universities and Skills, in consultation with Ministers in Scotland, Wales and Northern Ireland. Between September 2008 and December 2009 the UK Commission for Employment and Skills undertook a relicensing process for the Sector Skills Councils as proposed in the independent UK Leitch Review of Skills.

67. Several of the Committee's inquiries over the last four years have questioned the performance of the Sector Skills Councils in Wales. The Committee's main concern has been whether the Sector Skills Councils are capable of delivering the vision for skills improvement as set out in the Welsh Government's strategy Skills that Work for Wales. The Committee therefore felt it would be useful to examine more closely the role of the Councils by scrutinising the Alliance of Sector Skills Councils, the Wales Employment and Skills Board²³ and the Deputy Minister for Science, Innovation and Skills.

68. The Committee was pleased to hear the progress being made by the 23 Sector Skills Councils in Wales and was encouraged to hear from the Deputy Minister that concerns about individual Councils were being addressed. The Committee was informed that employer awareness of Sector Skills Councils in Wales is the highest in the UK, albeit at 44 per cent. However, the Committee agreed with the Minister that there is "a patchy picture" across Wales. Given that the Sector Skills Councils are now some five to seven years old, Members wanted to see still further improvements in their effectiveness.

Funding

69. The capacity of the Sector Skills Councils hinges considerably on their resources, and with a funding cut of 40 per cent facing the UK Commission for Employment and Skills and a possible change from core to project funding, the Committee was concerned about the impact on the Sector Skills Councils in Wales.

²³ The Wales Employment and Skills Board was created in 2008 to advise Welsh Ministers on employment and skills policies, with an emphasis on articulating the employer perspective

The Welsh Government should be encouraged to press the head offices of the Sector Skills Councils to understand devolution and properly resource their offices in Wales.

Engagement with small businesses

70. Engagement with small and medium-sized enterprises (SMEs), including social enterprises, is a challenge that is going to take some time for the Sector Skills Councils to meet. The Committee heard that one way of improving employer engagement was for each Sector Skills Council in Wales to have its own advisory board that would meet regularly to influence the training and skills priorities of its sector: the employer board for business and technology for e-skills UK was an example of good practice in this respect. The Committee also heard from the Wales Employment Skills Board that anchor companies could play a central role in widening engagement through the supply chains around them.

There is a need for highly strategic action from Sector Skills Councils themselves to engage with small and medium-sized enterprises, including social enterprises. Their performance in this area should continue to be monitored, and some of the indicators could be whether they have an active employer advisory board, and whether they are engaging through anchor companies and their supply chains.

71. The Committee was concerned about the general lack of awareness of the Sector Skills Councils. The Deputy Minister suggested the Sector Skills Councils could perhaps be clustered under more consistent names so that SMEs would find it easier to identify and tap into them.

The Welsh Assembly Government should be encouraged to work with the UK Government on streamlining the Sector Skills Councils and also on ensuring that the Alliance of Sector Skills Councils is adequately resourced to bring together the Councils in fulfilling their role within the learning cycle.

Links with education and the third sector

72. The Committee felt that the third sector also needs to be better served by the Sector Skills Councils. The Committee heard too that Sector Skills Councils needed to play a greater role in lifelong learning and on advising on the reform and relevance of the vocational curriculum and on the career structures and job opportunities that operate in their sectors.

Sector Skills Councils should continue to be encouraged and scrutinised on their relationship with the education sector and schools in working together on curricula and qualifications that meet the skills needs of the future.

Apprenticeships

73. The Committee was concerned about anecdotal evidence that in some areas, the economic recession had cut short their apprentices. Welsh Government officials told us their evidence showed that the situation was patchy, with certain sectors being hit harder than others, but that the Government was working with Careers Wales, the Sector Skills Councils and the National Training Federation for Wales, to ensure that apprentices affected could progress to other providers.

The Pathways to Apprenticeships scheme should be monitored to ensure young people who want to serve apprenticeships are provided with the opportunity, and that additional schemes are put in place wherever possible to prevent existing apprenticeships being curtailed.

Labour Market Intelligence

74. Finally on skills, the Sector Skills Councils have a key role to play in providing robust labour market intelligence (LMI). The Committee was made aware by the Wales Employment and Skills Board of the deficiencies in the current data on skills supply and demand in Wales, particularly at the local level. The Committee was therefore encouraged by the Minister's comment that a new LMI unit was being established within the Welsh Government to drive forward this agenda.

The Committee acknowledges the difficulty and complexity of skills planning. However, Labour Market Intelligence needs to be

improved so that it is detailed, accurate, analytical and forward-looking in driving skills provision, particularly at the local level. The work of the new Labour Market Intelligence unit needs to be monitored in the Fourth Assembly.

The Economic Contribution of Higher Education in Wales

75. The Committee's inquiry into The Economic Contribution of Higher Education started in November 2007 and lasted nearly two years. Although the higher education sector is currently facing massive challenges in terms of funding and structural changes, the Committee believed that many of the 32 recommendations contained in its final report of October 2009 were still pertinent and remained long-term objectives.

76. The Committee therefore decided to seek the views of Professor Andy Penaluna, a self-confessed "pracademic"²⁴ and Wales's first ever Professor of Creative Entrepreneurship at Swansea Metropolitan University, and to hold a follow-up session with the Minister for Children, Education and Lifelong Learning on progress that had been made in implementing the Committee's recommendations.

Entrepreneurship

77. One of the key themes of the Committee's 2009 report was the commercialisation of research ideas and increasing knowledge exchange within higher education, including the need to embed entrepreneurship within the culture of universities – in staff and students alike.

78. The Committee was therefore concerned to hear from Professor Penaluna how precarious the employment of "entrepreneurial" staff can be and how poorly their achievements tend to be regarded within the upper echelons of higher education. He likened the current situation to "pushing a stone uphill."

79. The Committee concluded that a closed culture still pervades some areas of academia, and that there is a need to break down the remaining barriers to giving enterprise the status and priority it deserves. There is still evidence of a silo mentality between many areas of academia, industry and education, and the links between them have to be better developed by bringing enterprising minds into the education system.

80. Professor Penaluna also stressed the importance of the relationship between the teacher and individual student. The most "difficult" students can become the most enthusiastic entrepreneurs,

²⁴ A pracademic is someone who has both business and academic expertise

and very often it takes non-conformity to make the greatest breakthroughs. Yet the Committee appreciated the difficulty of embedding entrepreneurship within an education system that is based very much on conformity (e.g. in terms of curriculum, standards and assessment). The system therefore has to do more to nurture and reward individual unpredictability and creativity by encouraging and developing students' ability to challenge.

81. The Committee was encouraged to hear positive feedback about the versatility and flexibility of the Foundation Phase, the Welsh Baccalaureate and the Youth Entrepreneurship Strategy (YES), which are aimed towards encouraging student initiative, problem solving and innovative thinking. This is particularly important in poorer communities where there is a lack of enterprise activity and where young people may lack the confidence to take risks in setting up small enterprises.

Intellectual Property and knowledge exchange

82. One of the conclusions of the Committee's 2009 report was the importance of speeding up universities' Intellectual Property (IP) process so that ideas and discoveries can be more quickly and easily patented and commercialised. The Committee was told that the legal expertise that would enable this to happen often rested within university law schools where there was a reluctance to proffer legal advice, as those lecturers were likely to be professionally liable. Professor Penaluna's view was that exposing students to the basic principles of IP early on in the curriculum could overcome some of the problem.

83. In contrast to this picture, the Minister informed the Committee of a range of initiatives within the higher education sector aimed at exploiting and increasing the release of IP, including the provision, through the A4B (Academic Expertise for Business) scheme, of a new round of early stage development funding aimed at enabling universities in Wales to buy in IP legal advice. This led the Committee to question whether messages were actually permeating through to the university academics who would benefit.

84. The Committee was informed that the independent review, chaired by Professor Ian Hargreaves, into how well the current Intellectual Property system supports growth and innovation, was due

to report in April 2011. This should yield new proposals for overcoming barriers to promoting entrepreneurialism and commercialisation.

85. The Committee was interested to hear from Professor Penaluna that inviting entrepreneurs to visit schools, colleges and universities to share their knowledge and experience with students worked well, but that students were most inspired and motivated not by the highest achievers, but by those who might still be struggling to be successful. He also advocated the importance of requiring students to engage with outside employers as part of their course assessment.

There needs to be a more coherent national approach to bringing ideas from academia into the market place, and to raising the status and influence of enterprise champions within the higher education system. Despite the current climate where funding and restructuring challenges are consuming the higher education sector, commercialisation and knowledge exchange should continue to be priorities for higher education policy. A future committee should continue to keep this situation under review.

A future committee should also scrutinise the new science policy for Wales, which is being led by the Chief Scientific Adviser, to ensure it contributes to the commercialisation of Welsh ideas within the science, technology, engineering and mathematics (STEM) subjects.

Research

86. Recommendation 9 of the Committee's 2009 report was aimed at achieving a more strategic approach to research management by increasing collaboration between higher education institutions in bidding for projects. The Committee heard from the Minister that progress was being made in this area and that from 2011-12 the Higher Education Funding Council for Wales would be adjusting its funding arrangements to focus further on sustainable research excellence.

Welsh Universities should continue to be held to account in their ability to attract research funding by working more strategically and collaboratively. In particular, universities could tune in more to the priorities of the research councils.

Engagement with businesses

87. While there were signs that higher education is engaging more with larger employers, the Committee felt that there was still a need to create links with small and medium-sized enterprises (SMEs). The Minister summed it up succinctly when he said that while businesses were good at engaging with higher education, he was “not convinced” that higher education institutions were always good at engaging with businesses.

Higher education institutions need to engage in the future with the Welsh Government’s identified “anchor” companies to collaborate more on the application of research and development. This collaborative approach should continue to be monitored in the Fourth Assembly.

The Transformation Agenda for post-16 Education

88. The aims of the Welsh Government's Transformation Agenda, published in September 2008, were to transform the network of post-16 education providers; to widen the opportunities available to young people; and to reduce duplication of provision. The Committee scrutinised the then Deputy Minister for Skills and the Association of the Directors of Education on the Transformation Agenda for post-16 education in September 2009. In April 2010, the Committee took further evidence from people most affected by the Transformation proposals, including teachers and pupils from Barry Comprehensive, Ysgol Gyfun Bro Morgannwg and Barry College; the teaching unions; and the Minister for Children, Education and Lifelong Learning.

89. In June 2010 the Committee wrote to the Minister outlining its conclusions and recommendations, to which the Minister responded in July. Not content with the Minister's response, the Committee decided to further scrutinise the Minister and his officials on 17 March.

Progress over the last 12 months

90. In his written evidence to the Committee the Minister clearly demonstrated the amount of progress that had been made over the last 12 months on what was now referred to as the "All-Age" Transformation. He stated that a "more directional policy framework" was to be established, working to an All-Age Transformation Programme Board.

91. His written evidence was also frank in highlighting that some Learning Partnerships have not achieved the desired culture shift of working collaboratively, and there was some reluctance to change, particularly from secondary schools.²⁵ The Minister would not be drawn on this evidence in the scrutiny session on 17 March, but he did remark that the further education sector was probably the most dynamic in adapting to the challenges of Transformation.

92. The Minister left the Committee in no doubt that it is the local education authorities, and not the Welsh Government, that are playing the lead role in leveraging in changes and in consulting with stakeholders on school re-organisation proposals. He implied that the

²⁵ Welsh Government written evidence, 17 March 2011, paragraphs 30-32

Welsh Government could use financial penalties as a mechanism for achieving greater progress, if necessary.

93. With regard to parity of esteem between academic and vocational courses, the Minister stressed that it was important to sustain the quality of courses, regardless of whether they are vocational or academic, and to ensure their relevance either to higher education or to employers. The Minister said that he had read with interest the conclusions of the recent Wolf report, which had looked at vocational courses in England.

94. The Minister agreed with the Committee that it was important to have a strategic overview of capital expenditure and stated that all capital funding had therefore been brought together to ensure greater flexibility in making decisions. He also stated that the Welsh Government was looking at the potential of alternative finance models in the context of the 21st Century Schools programme, but did not yet have any specific proposals to announce.

95. The Minister stated that he would be publishing the report of the Task and Finish group on the structural delivery of education before the end of March 2011.

Further progress on the Transformation Agenda should continue to be a subject of scrutiny in the Fourth Assembly because of the real challenges facing some Learning Partnership areas. Future scrutiny should include the findings of the Task and Finish group on the structural delivery of education and the impact of the reduction in capital funding.

Vulnerable young people

96. The Committee was concerned about the future impact of the UK Government's new Work Programme on unemployed young people in Wales, particularly the threat to the pastoral role of Department for Work and Pensions frontline staff.

Future committees should encourage the Welsh Government to work closely with the UK's Department for Work and Pensions and should monitor the impact of the UK Government's new Work Programme, particularly in how it affects the pastoral care that is provided for young unemployed people in Wales.

Annex A – Facts and Figures

Enterprise and Learning Committee, June 2007 – March 2011

	Senedd	Off-site	Total
Number of meetings held in public	97	6	103

	Accepted	Accepted in Principle	Rejected	Total
Number of recommendations made to Welsh Government	194	124	31	349

	Total
Number of reports published (excluding Legacy Report)	37
Number of times witnesses questioned	557
Number of times Ministers scrutinised	51
Number of stakeholders engaged	350+
Number of Assembly Members who have sat on the Committee	17
Number of petitions considered	9